

Decision **DRAFT DECISION OF ALJ PATRICK** (Mailed 11/6/2001)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of San Diego
Gas & Electric Company (U 902-E) for a Permit to
Construct the Pala Substation Expansion.

Application 01-01-050
(Filed January 29, 2001)

O P I N I O N**I. Summary**

The Commission grants San Diego Gas & Electric Company (SDG&E) a Permit to Construct (PTC) the Pala Substation Expansion pursuant to General Order (GO) 131-D. This will allow SDG&E to replace the existing 43-year-old equipment with newer and more reliable equipment and eliminate overload on the existing single bank substation. The new substation expansion will enable SDG&E to meet anticipated customer-driven electrical load growth in the Pala area, including the new Pala Casino recently completed by the Pala Band of Mission Indians, and prevent potential outages or disruption of service to existing and new customers.

II. Procedural Summary

SDG&E filed its Application for a PTC on January 29, 2001. By letter dated February 27, the Commission's Energy Division informed SDG&E that its Proponent's Environment Assessment (PEA) for the proposed Pala Substation expansion was incomplete and directed SDG&E to submit additional information. SSRC filed a protest to SDG&E's application on March 1. SDG&E filed a reply to SSRC's protest on March 12. In response to the Energy Division's February deficiency letter, SDG&E filed a supplement to its application on

March 29. SSRC submitted a response to SDG&E's supplement and reply on April 23. SDG&E then filed another reply on May 4, 2001. At the prehearing conference held on June 21, the parties agreed that an evidentiary hearing would not be necessary. SDG&E and SSRC filed concurrent opening and reply briefs on July 3 and 9, 2001, respectively, and this matter was submitted for decision.

In Resolution ALJ 176-3057, dated February 8, 2001, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were necessary. It is not necessary to alter the preliminary categorization in Resolution ALJ 176-3057.

III. The Project

The existing substation and expansion site are located in northern San Diego County on the west side of Pala Road about four miles east of Interstate 15. Lands adjoining the site are vacant. Across Pala Road to the east is the Hanson sand and gravel mining operation on the San Luis Rey River. The site is on a gentle, grass-covered slope with steeper, brush-covered slopes to the south, west, and north.

The proposed Pala Substation expansion at full buildout is planned to have 56 megavolt-amperes (MVA) capacity with two 28 MVA transformers, three 69-kilovolt (kV) tie lines, and eight 12-kV circuits. The existing 69-kV transmission line (TL 698) will be looped into the proposed site. The initial layout of the substation will have one 69/12-kV, 28 MVA low-profile transformer, a low-profile 69-kV switchrack, 12-kV switchgear for four 12-kV circuits, 12-kV capacitor bank, and control/battery shelter. The two existing 12-kV circuits (239 and 249) will be relocated to the new switchgear, and the existing equipment will be removed. The expanded facilities will be located

adjacent to the existing substation because of the topography of the property and the need to keep the existing facilities in service during construction.

The proposed substation expansion will be surrounded by a concrete masonry block screen wall 10 to 13 feet high with sliding redwood entry gates on the east side. Access will be from Pala Road by way of Pala del Norte Road. The site will be landscaped in accordance with County of San Diego guidelines.

IV. Purpose and Need

SDG&E proposes to expand the existing substation to 56 MVA ultimate capacity for two reasons: (1) to eliminate a 19% overload on the existing single bank substation due to normal area load growth and the new Pala Casino recently completed by the Pala Band of Mission Indians;¹ and, (2) to replace the existing 43-year-old substation equipment with newer and more reliable equipment.

SDG&E states that the 1999 peak load for Pala Substation was 9.9 MVA. The forecast peak load is 13.2 MVA in 2001, including area load growth and an additional 2 MVA for the Pala Casino. The existing transformer is 43 years old and is rated at 9.4 MVA for normal operation and 11.1 MVA for planned load limit operation. SDG&E maintains that additional overloading of the existing transformer will significantly decrease reliability. According to SDG&E, the expansion cannot be accomplished within the existing footprint of the station. In addition to replacing the transformer, the 12-kV circuit breakers would have to

¹ SDG&E is managing this summer's peak (2001), which is expected to be 2.2 MW over the maximum capability of the existing transformer by temporarily offloading some of the Pala load to another substation, and by having the casino's emergency generation on standby mode.

be replaced to accommodate the increase in fault duty. SDG&E contends that the new equipment must be installed before removal of the existing equipment to prevent interruption of service.

SDG&E states that this project also provides for the eventual expansion of new distribution circuits to supply future load growth in the Pala and San Luis Rey Valley areas. A new 12-kV circuit into the San Luis Rey Valley is planned for the future because the existing 12-kV bus cannot be expanded to accommodate any new circuits.

V. Environmental Review

Pursuant to the California Environmental Quality Act (CEQA), Pub. Resources Code §§ 21000-21176, SDG&E submitted a PEA, which evaluates the potential environmental impacts from the proposed project. Rule 17.1 of the Commission's Rules of Practice and Procedure requires the proponent of a project to submit an environmental assessment or PEA with its application. The PEA is used by the Commission to focus on potentially significant environmental impacts and to prepare an Initial Study that determines whether the project requires a Negative Declaration or an Environmental Impact Report.

After reviewing the PEA and developing an Initial Study, the Commission's staff concluded that a Mitigated Negative Declaration would ensure compliance with CEQA. As provided in CEQA Guidelines § 21064.5, a Mitigated Negative Declaration may be prepared when an Initial Study identifies potentially significant effects on the environment that can be avoided or reduced to less than significant through mitigation efforts. A Negative Declaration does not require that the Commission analyze alternative sites.

The Commission, as the designated lead agency, attempted to ensure that adverse effects were avoided, and that environmental quality would be restored

or enhanced to the fullest extent possible. To that end, the Commission's environmental staff, with the assistance of its environmental consultant conducted on-site inspections and performed extensive research and consultations. The Commission's environmental staff has independently determined that the Pala Substation Expansion would not have a significant impact on the environment provided that specific mitigation measures are implemented in the construction and operation of the project.

Hence, the Commission's Energy Division issued for comment a Draft Mitigated Negative Declaration in compliance with CEQA, Rule 17.1(f) of the Rules of Practice and Procedure, and GO 131-D. This document concluded that there were no residences or sensitive receptors (i.e., schools) located within 1,900 feet of the project site. The document was sent to various federal, state and county agencies. Public review began on May 29, 2001, and ended on June 29, 2001.

The Commission received nine comment letters from the private sector, federal, state, and local agencies as well as one community group:

- California Department of Transportation
- Governor's Office of Planning and Research
- California Department of Toxic Substances Control
- San Diego County Department of Planning and Land Use
- San Diego County Archaeological Society
- Shute, Mihaly & Weinberger LLP (Save Southwest Riverside County)
- San Diego Gas & Electric Company
- U. S. Department of Transportation (Federal Aviation Administration)

As a result of the comments, several areas of textual discussion, and identified mitigation measures, were amended. Because of the volume of the

Final Mitigated Negative Declaration (which includes the Response to Comments and the Mitigation Monitoring and Reporting Program), this document is not appended to this decision. The Final Mitigated Negative Declaration is posted on the Commission's website at www.cpuc.ca.gov under Commission's Environmental Materials, Current Projects (see Attachment A).

SDG&E has agreed to comply with and incorporate the mitigation measures as part of its project. The mitigation measures required by the Final Mitigated Negative Declaration are designed to protect resource categories such as biology, hydrology and water quality, geology, cultural, air quality, visual aspects, noise and traffic impacts. A Mitigation Monitoring Plan calls for oversight inspection of all construction activities by an environmental project manager from the Energy Division.

To ensure that the mitigation measures are fulfilled, the Commission's staff or representatives will periodically review the project and follow up with local jurisdictions. A formal complaint procedure has been established, and the Commission reserves its right to halt construction if environmental infractions occur.

Based on its environmental review, the Commission's staff has concluded that SDG&E's proposed project will not have significant effects on the environment, provided SDG&E carries out the mitigation measures outlined in the Final Mitigated Negative Declaration. It will be filed with the Governor's office of Planning and Research (along with the required fees) in November 2001.

VI. Support for the Project

The substation abuts Pala Reservation lands, and serves load on the reservation. Stanley McGarr, tribal member and the Executive Secretary of the Pala Band of Mission Indians, and David Fendrick, General Manager of the Pala

Casino spoke at the public prehearing conference held on June 21, 2001, in the vicinity of the Pala Substation. They were concerned about the reliability of the existing substation to serve their community and expressed unqualified support for the expansion project. They stated that: the Pala Band had 1,200 members and a land base of 11,000 acres; they had 370 homes in the area and had plans to build more homes, including a facility for older people; temperatures in the area reach 110°F making air conditioning a necessity for aged and sick people; and, the casino would impose additional load on the system since it was now operating 24 hours a day, seven days a week.

Save Southwest Riverside County (SSRC) opposes the Pala Substation Expansion. The members of this group do not reside in San Diego County or in SDG&E's service area. The group, consisting of residents and businesses in Riverside County, was formed in response to SDG&E's proposal to construct the 500-kV Valley-Rainbow transmission line, the subject of a separate application currently before the Commission (A.01-03-036). According to its bylaws, the general purposes of SSRC are to advocate and protest for ratepayers and residents in Southwest Riverside County against overhead transmission lines that would impact their health and safety. In its comments on the Draft Mitigated Negative Declaration, SSRC claims that it is a community group that represents residential ratepayers and it is interested in avoiding the addition of excess and unnecessary costs to rate base.

VII. Response of SDG&E to SSRC's Arguments

SDG&E disputes SSRC's contention that it is overbuilding the Pala Substation Expansion to accommodate its proposed 500-kV Valley-Rainbow transmission line. SDG&E asserts that the second 28 MVA transformer bank is

planned for an unspecified future time to meet future load and the Pala Substation Expansion is needed on its own merit and its timing and configuration are unaffected by whether the Valley-Rainbow project is ever built.

SDG&E points out that the future projects which may result in the ultimate build-out of the Pala Substation are uncertain and speculative, and such projects are not a reasonable foreseeable consequence of the Pala Substation Expansion, but are instead dependent upon the evolution of future service and system reliability needs. Therefore, SDG&E argues that because the initial development of the Pala Substation Expansion has independent utility and would achieve an immediate and valuable local and state purpose and need, and because approval of the project does not commit the Commission or SDG&E to develop any facilities that may eventually be needed to meet future service and/or reliability needs (e.g., a third 69-kV tie line), any such development projects being separately subject to GO 131-D(III)(B), the Draft Mitigated Negative Declaration is not required to assess the substation buildout potential beyond the initial development. (Del Mar Terrace Conservancy, Inc. v. City Council, 10 Cal.App.4th 712, 732-737; 12 Cal.Rptr. 785 (1992).)

Regarding SSRC's "potential, second substation" argument, SDG&E submits that its Application, PEA, Supplement to Application,² Reply to SSRC's

² In its Supplement to Application, at p. 3, SDG&E states: "..., the SDG&E owned Pala property is more than 200 acres in size. As discussed on page 54 of the PEA, the Eastern portion of the property is being considered as the preliminary secondary choice for a 500/230-kV substation yard for the Valley/Rainbow 500 k-V Interconnection Project. These are two separate projects and if that portion of the property were to become the primary choice for the 500/230-kV substation, it would be addressed in the CPCN process for the Valley Rainbow Interconnect Project."

Protest and SDG&E witness Snow's testimony at the prehearing conference clearly differentiate and identify the independent utility of the Pala Substation Expansion and the Valley-Rainbow transmission line project. Snow testified that the future Rainbow Substation or its alternative (as part of the Valley-Rainbow transmission line project) may become the nearest and most likely source for a third 69-kV tie line, if in the future such a line becomes necessary. Except for the potential for a future third 69-kV tie line between the proposed Rainbow Substation (or its alternative) and the Pala Substation, there is no relationship between the two projects.

VIII. Discussion

We are not persuaded by SSRC's recommendation that a single, lower-capacity 15 MVA (nameplate rating) transformer be installed within the footprint of the existing substation to handle the load growth identified by SDG&E. As SDG&E witness Snow testified, the utility's practice is to standardize the use of 28 MVA nameplate rating transformers in its rural substations, and SDG&E limits the operation of these transformers to a maximum 15 MVA for one hour per year for the sake of reliability. Snow's testimony is unrefuted. For the same reason, we reject SSRC's arithmetic calculation purporting to show that based on SDG&E's estimate of annual load growth (0.2 MVA per year), the first phase of the new substation (28 MVA) would not be fully utilized until the year 2075.

Also, we reject SSRC's arguments that because SDG&E identified the Pala Substation as its alternative "southern anchor" for the Valley-Rainbow transmission line project, it would be improper under CEQA for the Commission to split the project into two or more segments; and, to comply with CEQA requirements the Commission must fully analyze the impacts of the Pala Substation Expansion and the Valley-Rainbow project in a single environmental

document. The only connection between the Pala Substation and any future southern anchor for the Valley-Rainbow project is that they could be on the same 203-acre parcel of land owned by SDG&E.

As SDG&E has pointed out, any development of the proposed new 500/230-kV bulk power transmission substation, as a part of the Valley-Rainbow transmission line project, or any other project, on the 203-acre parcel owned by SDG&E is not a foreseeable consequence of the Pala Substation Expansion. The expansion of the Pala Substation will not change the scope or nature of the Valley-Rainbow transmission line project, or vice-versa.

We believe it is prudent and in the public interest to expand Pala Substation to ensure that customers have continuous, reliable service. Therefore, we conclude that the Pala Substation Expansion should be constructed without further delay. The project will initially consist of a single 28 MVA transformer and facilities to install a second 28 MVA transformer. SDG&E should file an application for authorization to install the second transformer when needed.

In view of the recommendations of our environmental staff, and the unqualified support for the project by the residents of the Pala area, we will grant SDG&E's request for a PTC. We will also approve the Final Mitigated Negative Declaration. The California Office of Planning and Research on June 25, 2001, issued a Notice of Completion indicating that the Commission has complied with the State Clearinghouse review requirements for draft documents, pursuant to CEQA. The project's State Clearinghouse number is 20010511129.

IX. Comments on Draft Decision

The draft decision of the administrative law judge in this matter was mailed to parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure.

Findings of Fact

1. The Pala Substation Expansion is needed to replace the existing 43-year-old substation equipment with newer and more reliable equipment and to eliminate a 19% overload on the existing single bank substation.

2. SDG&E's Pala Substation Expansion has the support of the residents of the Pala area.

3. SSRC opposes the expansion. SSRC is a group of Riverside County residents formed in response to SDG&E's 500-kV Valley-Rainbow transmission line project, a separate application before the Commission.

4. SDG&E proposes to initially install one 28 MVA transformer and facilities to accommodate a second transformer. The single transformer is expected to have adequate capacity for the next five to 15 years.

5. The second 28 MVA transformer is planned for an unspecified future time.

6. SDG&E's practice is to limit the peak load on its 28 MVA transformers to 15 MVA for reasons of reliability.

7. Development of a new 500/230-kV bulk power transmission substation, as a part of the Valley-Rainbow transmission line project, or any other project, on the 203-acre parcel of land owned by SDG&E is not a foreseeable consequence of the Pala Substation Expansion.

8. The Commission's environmental staff conducted a review of SDG&E's proposed Pala Substation Expansion and issued a Draft Mitigated Negative Declaration and Initial Study.

9. Following comments, the Commission's staff issued a Final Mitigated Negative Declaration.

10. SDG&E has agreed to mitigation measures set forth in the Final Mitigated Negative Declaration.

11. The Pala Substation Expansion and the proposed 500-kV Valley-Rainbow project are not linked or dependent on each other.

12. The fact that SDG&E offered part of the 203-acre parcel of land it owns as an alternative site for the southern anchor of the 500-kV Valley-Rainbow project, and that the Pala Substation Expansion will occupy a small portion of this same property, does not change the fact that these are two independent projects which do not have to be considered in the same document for CEQA review purposes.

Conclusions of Law

1. SDG&E's proposal to initially install one 28 MVA transformer and facilities to accommodate a future second 28 MVA transformer is reasonable.

2. SDG&E's practice of limiting the peak load on its 28 MVA transformers to 15 MVA maximum for reasons of reliability, is reasonable.

3. The Pala Substation Expansion, as proposed by SDG&E, should be constructed immediately to assure service reliability for the area.

4. The application should be granted, subject to the environmental requirements set forth in the Final Mitigated Negative Declaration.

O R D E R

IT IS ORDERED that:

1. The application of San Diego Gas & Electric Company (SDG&E) for a Permit to Construct the Pala Substation Expansion is granted.

2. The Pala Substation Expansion project shall be limited to a single 28 MVA transformer and facilities to accommodate a future second 28 MVA transformer.

3. SDG&E shall file an application with the Commission for authorization to install the second 28 MVA transformer when needed.

4. The Final Mitigated Negative Declaration is adopted by this Commission.

5. SDG&E shall fully implement the mitigation measures described in the Final Mitigation Negative Declaration.

6. SDG&E shall enter into a cost reimbursement agreement with the Commission for expenses accrued from implementing the mitigation and monitoring plan as described in the Final Mitigated Negative Declaration. Compliance with this agreement is a condition of approval of this decision.

7. The Environmental Projects Unit of the Energy Division shall supervise and oversee construction of the Pala Substation Expansion insofar as it relates to monitoring and enforcement of the mitigation measures described in the Final Mitigated Negative Declaration. The Energy Division may designate outside staff to perform on-site monitoring tasks. The Commission project manager (Energy Division, Environmental Projects Unit) shall have the authority to issue a Stop Work Order on the entire project, or portions thereof, for the purpose of insuring compliance with the mitigation measures. Construction may not resume without a Notice to Proceed issued by the Environmental Projects Unit of the Energy Division.

8. Applicant shall provide electro-magnetic force calculations to the Commission's Energy Division for any change, modifications or additions to the facility that are not set forth in the application.

9. Applicant shall send a copy of this decision to concerned local permitting agencies not later than 30 days from the date of this order.

10. Application 01-01-050 is closed.

This order is effective 30 days from today.

Dated _____, at San Francisco, California.

ATTACHMENT A

Notice of availability of the Final Mitigated Negative Declaration (MND) will be mailed to all parties to the application. Due to the volume of this document, it will be filed with the Docket Office of the California Public Utilities Commission along with the Proposed Decision. A copy also can be obtained from Bruce Beauregard of the Energy Division at the California Public Utilities Commission, 505 Van Ness Avenue, San Francisco California, 94102. Alternately, copies of the MND may be obtained at the California Public Utilities Commission website at www.cpuc.ca.gov, or from the Escutia table prior to the September 20th Commission meeting.

(END OF ATTACHMENT A)